

Message Text

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SUBJ: CONCERNING THE ECONOMIC ECOLOGY OF THE PHILIPPINES

THERE FOLLOWS THE TRANSCRIPTION OF A BRIEFING BY THE CHARGE AT THE ANNUAL MEETING OF THE BOARD OF DIRECTORS OF THE MANUFACTURERS HANOVER TRUST COMPANY, MANILA, MAY 16, 1977. THE TEXT CONTAINS BOTH THE CHARGE'S REMARKS AND THE QUESTION AND ANSWER PERIOD THAT FOLLOWED. IT IS BEING TRANSMITTED TELEGRAPHICALLY BECAUSE IT HAS BEEN MADE AVAILABLE TO PRESIDENT AND MRS MARCOS AND WAS A MAJOR POINT OF REFERENCE BEHIND THE CHARGE'S DISCUSSION TODAY WITH MRS MARCOS REPORTED SEPTTEL.

CHAIRMAN HAUGE: AS YOU HAVE PROBABLY BRACED YOURSELF AGAINST THE DEMANDS OF THE MORNING, I WOULD LIKE TO WELCOME OUR GUESTS AND COLLEAGUES TO OUR FIRST SESSION HERE IN MANILA. IT SEEMED HIGHLY APPROPRIATE TO THE GROUP THAT SPENT MANY HOURS PLANNING THIS ENTERPRISE AND AS VISITORS TO MANILA THAT WE SHOULD BEGIN WITH AN ORIENTATION FROM OUR COUNTRY'S RESIDENT REPRESENTATIVE. OUR GUESTS KNOW, I'M SURE, AS PEOPLE AS WELL INFORMED AS THEY WOULD THAT MANUFACTURERS HANOVER HAS A LONG RECORD OF CONSTRUCTIVE ASSOCIATION WITH THE PHILIPPINES
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AND BEYOND THAT MANY OF OUR DIRECTORS LEAD ORGANIZATIONS WITH OPERATIONS HERE IN THIS COUNTRY. SO OUR TOTAL INTEREST AS OUR GUESTS KNOW IS VERY CONSIDERABLE INDEED.

AFTER SERVICE IN THE UNITED STATES ARMY DURING WORLD WAR II, MR. STULL IN 1948 TOOK AN UNDERGRADUATE DEGREE FROM AN INSTITUTION WITH WHOM SOME OF OUR OFFICERS ARE VERY WELL

ACQUAIN-

TED IN PRINCETON, NEW JERSEY. THE FOLLOWING YEAR HE BEGAN WHAT HAS PROVED TO BE A HIGHLY SUCCESSFUL CAREER IN THE FOREIGN SERVICE. POSTINGS HAVE INCLUDED MUNICH, THE DOMINICAN REPUBLIC, STUTTGART, WARSAW, BERLIN, KARACHI, NEW DELHI, AS WELL AS WASHINGTON SERVICE AT THE NATIONAL SECURITY COUNCIL AND THE POLICY PLANNING STAFF AT THE DEPARTMENT OF STATE. PRIOR TO HIS ARRIVAL IN MANILA, IN THE AUTUMN OF 1975, HE WAS THE DEPUTY ASSISTANT SECRETARY FOR EDUCATION AND CULTURAL AFFAIRS AT THE DEPARTMENT. HE'S HERE THIS MORNING WITH HIS LOVELY WIFE BETSY AND I AM NOW DELIGHTED TO PRESENT TO YOU LEE T. STULL, CHARGE' D'AFFAIRES OF THE UNITED STATES EMBASSY IN THE PHILIPPINES.

LEE STULL: CHAIRMAN HAUGE, DIRECTORS AND OFFICERS OF THE MANUFACTURER'S HANOVER TRUST COMPANY, A NAME TO BE RECKONED WITH IN INTERNATIONAL FINANCE AND A NAME WELL AND FAVORABLY KNOWN IN THE PHILIPPINES, AND REGIONAL PARTICIPANTS AND MOST ESPECIALLY WIVES WHOM I ADMIRE FOR THEIR EXTRA EFFORT TO ARISE EARLY THIS MORNING AFTER THE NIGHT I UNDERSTAND YOU ALL HAD LAST NIGHT, I CONGRATULATE YOU. YOU AND WE ARE FORTUNATE TO BE IN INTERESTING MANILA AT THIS LOVELY VACATION TIME - VACATION TIME FOR THE FILIPINOS - AND AMONG THESE BEAUTIFUL, HOSPITABLE AND WARM PEOPLE, THE FILIPINO PEOPLE, WHO ARE SO FASCINATINGLY LIKE AND YET UNLIKE OURSELVES. I AM PLEASED ALSO AND FORTUNATE TO HAVE THIS OPPORTUNITY TO MEET WITH YOU THIS MORNING FOR MANY REASONS:

-- FIRST, I MET GABRIEL HAUGE OVER EIGHTEEN YEARS AGO WHEN UNCLASSIFIED

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HE CAME TO POLAND AS A MEMBER WITH ADMIRAL RICKOVER AND OTHERS IN THE ENTOURAGE OF THE THEN SECRETARY OF COMMERCE. I WAS SECOND SECRETARY IN OUR EMBASSY IN WARSAW AT THE TIME AND FOR FIVE DAYS WE TRAVELED TOGETHER AROUND POLAND WITH THAT GROUP. IT WAS A MOST MEMORABLE EXPERIENCE. OUR SECOND MEETING WAS IN NEW YORK IN DECEMBER OF 1960, THE MORNING AFTER A MAJOR BLIZZARD. I RECALL TRUDGING TO THE MANUFACTURERS HANOVER TRUST COMPANY ON THAT BEAUTIFUL, CRISP, CLEAR MORNING DOWN THE UNPLOWED THOROUGHFARES IN A CITY SO STILL AND BEAUTIFUL UNDER ITS THICK BLANKET OF FRESH SNOW TO BE WARMLY RECEIVED BY GABRIEL HAUGE, WHO DIDN'T HAVE ANY OTHER APPOINTMENTS THAT DAY, SINCE THEY COULDN'T MAKE IT; SO I HAD LOTS OF HIS VALUABLE TIME. WELL, GABRIEL HAUGE HAS TRAVELED HIGH, FAR, WIDE AND HANDSOMELY SINCE THOSE DAYS, AND IT IS A PARTICULAR PLEASURE TO MEET AGAIN WITH HIM IN MANILA.

-- IT ALSO IS A GREAT PLEASURE TO MEET IN MANILA WITH REPRESENTATIVES OF SO MANY OUTSTANDING AMERICAN FINANCIAL, INDUS-

TRIAL AND PROFESSIONAL UNDERTAKINGS. I THINK I CAN SAY WITH ALL SINCERITY, THE ABLEST AND THE BEST, THE KIND WE ARE MOST PROUD TO HAVE REPRESENT US ABROAD. FOR I DO BELIEVE THAT ECONOMIC CONSIDERATIONS SHOULD AND WILL PLAY AN INCREASINGLY IMPORTANT PART IN OUR RELATIONS WITH THIS PART OF THE WORLD OVER THE NEXT DECADE; AND I DO BELIEVE THAT THE PRIVATE FACTOR IN THAT EQUATION COULD AND MAY WELL COMPRISE THE BULK OF THAT INCREASE. SO, WELCOME TO MANILA.

THIS PHILIPPINE PLAZA HOTEL, BEAUTIFUL THOUGH IT BE, IS NOT MANILA, OF COURSE, AND MANILA IS NOT THE PHILIPPINES. ALTHOUGH IN GREATER MANILA ARE CONCENTRATED SIXTEEN PERCENT OF THE POPULATION AND CONSIDERABLY MORE THAN THAT OF THE TALENT, FINANCES, FACILITIES AND AMENITIES OF THIS STILL POOR, ECONOMICALLY HOPEFUL, LAND. WHICH IS ONE OF THE PROBLEMS OF COURSE.

-- THIS BRINGS ME TO OUR BRIEFING ON ECONOMIC CLIMATE OR AS I UNCLASSIFIED

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PREFER, ECOLOGY, IN RECOGNITION OF THE INEXTRICABLE, INTER-RELATEDNESS OF THE POLITICAL, SECURITY, ECONOMIC, AND PSYCHOLOGICAL FACTORS IN ANY REALISTIC ANALYSIS OF THE PHILIPPINES AND THE PHILIPPINE ECONOMIC ECOLOGY, OF THE PHILIPPINE-AMERICAN CONNECTION, AND OF INVESTMENT PROSPECTS BROADLY. KEY CONCEPTS HELPFUL TO UNDERSTANDING ALL THIS COMPLEXITY, IT SEEMS TO ME, ARE TRANSITION AND INTERPENETRATION. NOW TRANSITION IS A TERM THAT IS MUCH OVERUSED, I'M SURE YOU KNOW, BUT IT

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SEEMS TO ME THAT IT IS PARTICULARLY APT AND HELPFUL FOR LOOKING AT THE PHILIPPINE SOCIETY, POLITY AND ECONOMY AND PHILIPPINE-AMERICAN RELATIONS OVER THE NEXT DECADE. FOR ALL THESE ASPECTS ALREADY ARE AND INCREASINGLY WILL BE, CHARACTERIZED BY CHANGE FROM TRADITIONAL PATTERNS, FROM SPECIAL RELATIONSHIPS.

THIS TRANSITION ALREADY TAKES MANY FORMS. THERE IS TRANSITION IN THE HISTORICAL INTERPRETATION OF THE PHILIPPINE-AMERICAN RELATIONSHIP.

-- WE THINK WE LIBERATED THE PHILIPPINES FROM THE SPANISH AND FROM THE JAPANESE, TUTORED AND GENEROUSLY ASSISTED UNTIL THEY GRADUATED INTO INDEPENDENCE, AND LIVED HAPPILY EVER AFTER, UNTIL RECENTLY ANYWAY, IN A SPECIAL RELATIONSHIP, A BENEFICIAL RELATIONSHIP.

-- THEY OR THEIR INTELLIGENTSIA, OR SOME OF THEIR INTELLIGENTSIA, SEEM TO THINK THAT WE STOLE THEIR VICTORY IN 1898, EXPLOITED THEM AND ABANDONED THEM, DEFENSELESS TO THE JAPANESE, ONLY TO RETURN WITH PARSIMONIOUS POSTWAR RELIEF AND REHABILITATION, WITH DEMANDS FOR PRIVILEGED TREATMENT, AND A FAILURE TO APPRECIATE THE FILIPINOS AND WHAT IS DUE
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TO THEM. AS THEY SAY, YOU DON'T KNOW WHO YOUR FRIENDS ARE, AND YOU TREAT YOUR FRIENDS -- THEM -- LIKE ENEMIES AND YOU TREAT YOUR ENEMIES -- GERMANY AND JAPAN -- LIKE FRIENDS. THERE IS, OF COURSE, THE POTENTIAL FOR DEMAGOGY IN ALL THIS WHICH COULD AFFECT THE ECONOMIC CLIMATE BUT FOR NOW THE AVERAGE FILIPINO WILL HAVE LITTLE OF IT AND STILL SUPPORT THE AMERICAN DREAM.

THERE IS THE STRATEGIC TRANSITION FROM PREOCCUPATION WITH THE INTERNATIONAL COMMUNIST THREAT, THE YELLOW PERIL, VIETNAM, TO THE CURRENT GOVERNMENT OF THE PHILIPPINES PERCEPTION THAT THE PRINCIPAL THREAT IS INTERNAL WITH TWO INSURRECTIONS: ONE, MAOIST/MARXIST SIMMERING IN THE NORTH, AND THE OTHER THE MUSLIM INSURRECTION CURRENTLY UNDER CEASE-FIRE CONDITIONS IN THE SOUTH. AND RELATIONS ARE BURGEONING WITH ONE AND ALL, COMMUNIST, THIRD WORLD, EVEN COLONEL QADHAFI. OUR PERCEPTIONS, OF COURSE, HAVE CHANGED TOO; ALTHOUGH WE REMAIN CONCERNED WITH OUR PHILIPPINE POSITION, PARTICULARLY IN RELATION TO REGIONAL STABILITY AND GLOBAL SECURITY. THIS BRINGS ME TO MILITARY BASE NEGOTIATIONS WHICH ARE PENDING AS EACH SIDE REVIEW POSITIONS, REVIEWS THE BIDDING IN THE RECENT ABORTIVE NEGOTIATING ATTEMPTS. THIS, THEN IS A CLEAR

AND PRESENT CATALYST OF THE STRATEGIC TRANSITION WITH IMPLICATIONS FOR THE ECONOMIC ECOLOGY, IF FOR NO OTHER REASON THAN THAT THE BASES LOOM SO LARGE IN THAT ECOLOGY. FOR EXAMPLE:

-- NOBODY DENIES THAT THE GOVERNMENT OF THE PHILIPPINES IN NOVEMBER REFUSED AN OFFER OF ONE BILLION DOLLARS OVER THE NEXT FIVE YEARS AS A QUID FOR THE BASES.

-- IT IS EVIDENT THAT WITH 40,000 EMPLOYEES, THE LARGEST NUMBER OF EMPLOYEES EMPLOYED BY ANY SINGLE ORGANIZATION AFTER THE GOVERNMENT OF THE PHILIPPINES, WITH 40,000 EMPLOYEES THE BASES ARE A MAJOR LABOR FACTOR IN THE PHILIPPINES.

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-- ONE HUNDRED AND THIRTY-FIVE MILLION DOLLARS A YEAR ARE PUMPED DIRECTLY INTO THE ECONOMY BY THE BASES.

-- THE TECHNOLOGICAL TRANSFER OF THE BASES IN THE PHILIPPINES IS CONSIDERABLE, FOR EXAMPLE, THE SHIPYARDS AT SUBIC ARE AMONG THE VERY BEST IN ASIA.

NEXT IS THE POLITICAL TRANSITION FROM THE MADE IN U.S.A. MODEL TO PRESIDENT MARCOS' MARTIAL LAW MODIFICATION, SOMETIMES REFERRED TO AS CONSTITUTIONAL AUTHORITARIANISM. THIS TRANSITION IS FROM TRADITIONAL STRUCTURE, SEMI-FEUDALISTIC, HORIZONTALLY ORGANIZED, REGIONALLY BASED AND DOMINATED BY WEALTHY OLIGARCHS; TO A MORE VERTICAL STRUCTURE, INSTITUTIONAL, WITH INCREASING ROLES FOR THE MILITARY AND TECHNOCRATS, SOME CALL IT A NEW OLIGARCHY, ITS CONSTITUTIONALITY CHALLENGED, ITS SUCCESSION UNPREDICTABLE. I DON'T NEED TO TELL YOU THAT INVESTMENT, PARTICULARLY FOREIGN INVESTMENT, ABHORS UNCERTAINTY, AND UNCERTAINTY AND UNPREDICTABILITY ARE, OF COURSE, INHERENT IN THE VERY NATURE OF THE PHILIPPINE POLITICAL TRANSITION. THERE MAY BE NO GOING BACK; IT IS TOO SOON TO BE SURE. MEANWHILE, YOU SEE THE USUAL STRENGTHS AND WEAKNESSES THAT CLASSICALLY ACCRUE IN SUCH CASES. FOR EXAMPLE, DECISIVE TOP EXECUTIVE MANAGEMENT UNIMPEDED, AND OCCASIONALLY GRAND BLOOPERS BY THE FAVORED FEW, ALSO UNIMPEDED, FOR EXAMPLE, SUGAR MARKETING OVER THE PAST COUPLE YEARS.

NEXT COMES THE PSYCHOLOGICAL TRANSITION FROM IDENTIFICATION WITH FOREIGN MODELS TO A PARTICULARLY INTENSE AND SELF-CONSCIOUS SEARCH FOR IDENTITY--SELF-IDENTITY, NATIONAL-IDENTITY, REGIONAL, THIRD WORLD, ORIENTAL, ASIAN IDENTITY. THIS INCLUDES SUBSTANTIAL ELEMENTS OF REJECTION OF OLD MODELS INCLUDING OURS, BUT IT IS RELATIVELY NEW AND HAS YET TO DEVELOP ITS FULL IMPLICATIONS.

FINALLY, THERE IS ECONOMIC TRANSITION FROM THE PRIVILEGED
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NATIONAL TREATMENT OF AMERICANS UNDER THE LAUREL-LANGLEY
AGREEMENT WHICH EXPIRED IN FOUR TO LIFE WITHOUT THAT SECURITY
BLANKET. AT FIRST IT WAS DIFFICULT FOR AMERICAN BUSINESSMEN
WHO HAD OPERATED HERE DURING THE COLONIAL PERIOD, FOR EXAMPLE,
GETTING OUT OF RETAIL TRADE AND DIVESTING LAND HOLDINGS.
THERE IS STILL NO NEW AGREEMENT TO TAKE THE PLACE OF THE LAUREL-
LANGLEY ARRANGEMENT. WE WANT INVESTMENT GUARANTEES, NO DIS-
CRIMINATION; THEY WANT TRADE CONCESSIONS, TARIFF CONCESSIONS
AND GSP WAIVERS.

ECONOMIC TRANSITION, OF COURSE, IS THE NAME OF THE GAME
IN ANY DEVELOPING COUNTRY IF IT IS REALLY DEVELOPING. HOW
IS THE PHILIPPINES DOING IN THAT REGARD? ON THE WHOLE,
NOT BADLY.

-- THE GROSS NATIONAL PRODUCT WAS SEVENTEEN BILLION
DOLLARS IN 1976. MORE MEANINGFULLY, GROWTH HAS AVERAGED
ABOUT FIVE AND ONE HALF PERCENT IN THE PAST
THREE YEARS.

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THIS IS QUITE AVERAGE COMPARED TO OTHER LESS DEVELOPED

COUNTRIES IN ASIA BUT NOT BAD CONSIDERING THE ECONOMIC CONDITIONS DURING THESE PAST FEW YEARS. GROSS NATIONAL PRODUCT PER CAPITA IN 1976 WAS \$402, MUCH HIGHER THAN INDONESIA, ON A PAR WITH THAILAND, MUCH LOWER THAN TAIWAN AND HONG KONG. FOR COMPARISON, I BELIEVE YOU HELD YOUR LAST OVERSEAS MEETING IN VENEZUELA, WHERE, FOR COMPARISON, GNP PER CAPITA IN 1976 WAS \$1,357.

-- INCOME DISTRIBUTION IS POOR. THE TOP FIVE PERCENT OF FAMILIES IN THE PHILIPPINES RECEIVE TWENTY-FIVE PERCENT OF THE TOTAL INCOME, AND THE PHILIPPINES IS IN THE WORSE TWENTY PERCENT OF COUNTRIES IN THE WORLD IN INCOME DISTRIBUTION.

-- INFLATION--CONSUMER PRICES WERE UP 6.3 PERCENT IN 1976 AND 8.0 PERCENT IN 1975, BETTER THAN AVERAGE IN ASIA AND SUBSTANTIAL IMPROVEMENTS OVER 34-1/2 PERCENT IN 1974. BUT EARNINGS HAVE NOT KEPT PACE ON THE LOWER END OF THE INCOME SCALE. THE REAL WAGE INDEX HAS DETERIORATED FOR EACH YEAR SINCE 1971 WITH EXCEPTION OF SLIGHT INCREASES FOR UNSKILLED WORKERS IN 1975. THE WELFARE OF URBAN WORKERS AND FARM TENANTS HAS BEEN ON A DOWNHILL SLIDE.

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--TRADE AND BALANCE OF PAYMENTS--TRADE CUSTOMARILY HAS BEEN IN A MODERATE DEFICIT, BUT THE DEFICIT IN RECENT YEARS HAS BEEN LARGE, FROM A SURPLUS OF \$275 MILLION IN 1973 TO DEFICITS OF \$450 MILLION IN 1974, \$1.2 BILLION IN 1975 AND \$1.1 BILLION IN 1976. TRENDS TO CORRECT THE SITUATION, HOWEVER, ARE IN THE RIGHT DIRECTION. ALSO CAPITAL INFLOWS AND NET INFLOWS IMPROVED THE OVERALL BALANCE OF PAYMENTS PICTURE AND MAY BRING IT INTO SURPLUS BY 1978. THIS FOLLOWS BALANCE OF PAYMENTS DEFICITS OF \$520 MILLION IN 1975 BUT ONLY \$164 MILLION IN 1976.

-- AS TO EXTERNAL DEBT, A SUBJECT OF SPECIAL INTEREST NOW THAT ATTENTION IS BEING FOCUSED ON PRIVATE BORROWING BY LDCs, AND OF PARTICULAR INTEREST TO THIS GROUP SINCE THE MANUFACTURERS HANOVER TRUST, OF COURSE, IS A LEADING CREDITOR. CURRENT PUBLIC AND PRIVATE EXTERNAL DEBT IS ABOUT \$5.6 BILLION. THIS IS A 48 PERCENT INCREASE OVER THE END OF 1975. ALARMING AS THIS MAY APPEAR, HOWEVER, THE STRUCTURE AND TERM OF THIS NEW DEBT HAS A RELATIVELY MODEST EFFECT ON DEBT SERVICE REQUIREMENT. THE SERVICE ON ALL FIXED TERM DEBT IN 1976 WAS \$654 MILLION, ON MEDIUM AND LONG TERM DEBT, \$520 MILLION. BY THE PHILIPPINE GOVERNMENT'S OWN RECKONING, THIS PLACES THE DEBT SERVICE RATIO BETWEEN 17 AND 18 PERCENT. WHILE MANAGEABLE, IT BEARS WATCHING. THERE IS GOOD REASON TO BELIEVE THAT THE GOVERNMENT OF THE PHILIPPINES WILL BE ABLE TO MANAGE THIS SITUATION AND BOUQUETS ARE DUE TO THE MANUFACTURERS HANOVER

TRUST COMPANY WHICH TOOK THE LEAD IN RESTRUCTURING IN 1969 AND 1970, WHEN OBLIGATIONS OF THE PHILIPPINES EXCEEDED CAPACITY TO PAY. THE GOVERNMENT OF THE PHILIPPINES NOW HAS REASONABLE MANAGEMENT SYSTEM AND IS CAREFUL ABOUT THE STRUCTURE OF DEBT. ANOTHER REASON FOR CONFIDENCE IS THE CLOSE RELATIONSHIP WITH INTERNATIONAL INSTITUTIONS. BORROWING HEAVILY FROM THE ADB, THE IBRD AND THE IMF PROVIDES THE BACKBONE AND GUIDANCE IN SUCH CRUCIAL AREAS AS MONEY SUPPLY, EXTERNAL BORROWING AND INTERNATIONAL RESERVES. SO MUCH FOR ECONOMIC TRANSITION AND FOR TRANSITION IN GENERAL.

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ALL IS NOT CHANGE, OF COURSE, THERE IS MUCH CONTINUITY, SHAPING AND LIMITING CHANGE. FOR EXAMPLE, PHILIPPINE SOCIETY IS FUNDAMENTALLY CONSERVATIVE AND THE CATHOLIC CHURCH WHICH PLAYS A LARGE ROLE IN THAT SOCIETY IS ALSO GENERALLY CONSERVATIVE. ALSO IMPORTANTLY, MANY ABIDING PHILIPPINE-AMERICAN COMMON NETWORK OF EXPECTATIONS AND OBLIGATIONS STEMMING FROM INTENSIVE UNITED STATES PRESENCE FOR OVER EIGHTY YEARS. THIS INTERPENETRATION IS A SECOND KEY TO UNDERSTANDING THE PHILIPPINES, PHILIPPINE-AMERICAN RELATIONS AND THE PHILIPPINE INVESTMENT ECOLOGY. A FEW INDICATORS:

--THERE ARE 70,000 AMERICAN CITIZENS RESIDENT IN THE PHILIPPINES. ABOUT ONE-HALF OF THESE ARE MILITARY OR THEIR DEPENDENTS AT THE BASES.

--THERE ARE 500,000 FILIPINOS IN THE PHILIPPINES WHO ARE VETERANS OF THE AMERICAN ARMED FORCES AND ELIGIBLE FOR VETERANS BENEFITS. LAST YEAR THE UNITED STATES GOVERNMENT PAID \$123 MILLION IN BENEFITS TO THESE VETERANS.

--THERE ARE 500,000 PHILIPPINE CITIZENS, OR I SHOULD SAY MORE CORRECTLY, FILIPINOS IN VARIOUS STAGES OF CITIZENSHIP, RESIDENT IN THE UNITED STATES.

--IN YOUR EMBASSY HERE, OUR CONSULAR SECTION ISSUES 60,000 VISAS A YEAR. THIRTY THOUSAND OF THESE ARE FOR PERMANENT IMMIGRATION TO THE UNITED STATES.

--THE UNITED STATES REMAINS THE NUMBER ONE TRADER, INVESTOR AND AIDER IN THE PHILIPPINES. OCCASIONALLY WE SLIP A LITTLE AND THE JAPANESE MOVED ON AHEAD IN THE TRADING EQUATION BUT BASICALLY AND CURRENTLY, WE ARE NUMBER ONE.

THUS, THE UNITED STATES IS A BIG, EASY TARGET AND ALSO A BIG ATTRACTION AND MAJOR POINT OF REFERENCE FOR FILIPINOS.

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WE AMERICANS AND FILIPINOS, WE DON'T TAKE EACH OTHER EASILY
FOR GRANTED. WE LOVE AND OFFEND EACH OTHER, NEGLECT AND OVER-
LOAD, WE CAJOLE AND CRITICIZE, COMPLAIN AND ADMIRE IN A
SYMBIOTIC, SPECIAL RELATIONSHIP THAT WILL TAKE A LOT OF

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OF INTELLIGENT, PATIEND AND IMAGINATIVE EFFORT IF WE ARE
GOING TO BE ABLE TO CAST OFF THE ARCHAIC AND CORROSIVE ASPECTS.

LET ME CLOSE WITH A FOCUS MORE SHARPLY ON INVESTMENT ECOLOGY
AS SUCH. IF YOU LOOK AT THE RECORD, IN 1973 THE TOTAL INVEST-
MENT INFLOW TO THE PHILIPPINES WAS \$117 MILLION OF WHICH THE
U.S. SHARE WAS \$73 MILLION OR 62 PERCENT. IN 1974, THE TOTAL
WAS \$79 MILLION, THE U.S. SHARE \$24 MILLION; 1975, THE TOTAL
WAS \$90 MILLION, THE U.S. \$20 MILLION, AND THEN FOLLOWED
BY A SUBSTANTIAL INCREASE IN 1976 TO A TOTAL OF \$122 MILLION
WITH THE UNITED STATES \$57 MILLION OR 46 PERCENT. COMPARED
WITH OTHER COUNTRIES IN ASIA, OF COURSE, THIS IS FAR BEHIND
THE STAR PERFORMERS, TAIWAN, HONG KONG, KOREA, AND ALSO
BEHIND SINGAPORE, MALAYSIA, INDONESIA. THE BULK OF THE UNITED
STATES INVESTMENT IS INVESTMENT WHICH ENTERED THE PHILIPPINES
DURING THE TWENTY YEARS OF THE PRIVILIGED LAUREL-LANGLEY
RELATIONSHIP. IT SEEMS TO ME THAT THE PHILIPPINES COULD
AND POSSIBLY SHOULD BE DOING BETTER IN THIS REGARD.

SOME RELEVANT CONSIDERATIONS IN THE INVESTMENT OUTLOOK:

-- POLITICAL FRAGILITY DUE TO ONE-MAN RULE IS NO NECESSARY
BAR TO PROFITABLE INVESTMENT, LOOK AT TAIWAN, LOOK AT KOREA.
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-- HUMAN RESOURCES IN THE PHILIPPINES ARE LENTIFUL, EDUCATED,
ABLE, AND LOW-WAGE WHICH, OF COURSE, MUST BE BALANCED OFF
AGAINST LOWER PRODUCTIVITY.

-- NATURAL RESOURCE ENDOWMENT IS FAIRLY GOOD, ASIDE FROM OIL.
WHILE THE REQUIREMENT FOR THE PHILIPPINE CONTROL OF NATURAL
RESOURCES IS UNACCEPTABLE TO SOME, THIS IS NOT LIKELY TO
CHANGE FOR IT IS A MATTER OF NATIONALISM.

-- THERE IS A SYSTEM OF FAIRLY MEANINGFUL INVESTMENT INCEN-
TIVES IN PIONEER INDUSTRIES AND EXPORT-ORIENTED INDUSTRY.

-- FROM PRESIDENT MARCOS DOWN, THERE APPEARS TO BE GENERAL
RECOGNITION OF THE IMPORTANCE OF FOREIGN INVESTMENT, ALTHO-
UGH THE GOVERNMENT OF THE PHILIPPINES DOES SEEM TO BE RATHER
AMBIVALENT IN THIS REGARD. SOME INVESTORS BELIEVE THAT THE
GOVERNMENT HAS FAILED TO DELIVER ON PROMISES AFTER INVEST-
MENTS WERE MADE, AND THAT THERE IS AN INCLINATION TO CHANGE
THE RULES OF THE GAME. A CURRENT EXAMPLE MAY BE THE MOVE TO
LIMIT ACCESS TO CREDIT BY FOREIGN COMPANIES. NONETHELESS, THE
EXPERIENCE OF U.S. INVESTORS IN THE PHILIPPINES FREQUENTLY HAS
BEEN VERY GOOD, PROFITABILITY IS GENERALLY HIGH, AND RETURN ON
INVESTMENT IS TYPICALLY BETWEEN FIFTEEN AND TWENTY PERCENT.

LOOKING SOMEWHAT FURTHER AHEAD THERE ARE SOME HARD FACTS:

-- POPULATION, WHILE THE GROWTH RATE IS DOWN TO 2.7 PERCENT,
THAT IS STILL VERY HIGH. AT INDEPENDENCE IN 1947, POPULATION
WAS 19 MILLION; TODAY IT IS 44 MILLION; BY THE END OF THE
CENTURY THAT WILL DOUBLE. ALREADY POPULATION DENSITY IS HIGHER
THAN PAKISTAN AND INDONESIA AND NEARLY AS HIGH AS INDIA AND
THE SUPPLY OF ARABLE LAND IS SHARPLY LIMITED. THE PROBLEM BECOMES
STARK WHEN YOU THINK OF THE REQUIREMENTS NOT ONLY TO FEED,
WHICH CAN BE MET, BUT TO EDUCATE AND TO EMPLOY IN SOME MEANING-
FUL WAY ALL THOSE YOUNG PEOPLE COMING INTO THE LABOR FORCE
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OVER THE NEXT TWENTY THREE YEARS. MOREOVER, ENERGY NEEDS GROW
WHILE PROSPECTS FOR FINDING DOMESTIC SOURCES OF PETROLEUM REMAIN
UNCERTAIN.

SHORTLY BEFORE HE LEFT, BILL SULLIVAN PREDICTED AN ECONOMIC MIRACLE FOR THE PHILIPPINES. PRESUMABLY BY THAT HE MEANT SUSTAINED GROWTH OF TEN PERCENT ANNUALLY WITHIN A DECADE. THE PHILIPPINES HAS THE MAKINGS AS WE'VE SEEN, BUT ALSO AS WE'VE SEEN THERE ARE STRUCTURAL, POLITICAL, ECONOMIC AND SOCIAL VULNERABILITIES. IN OUR BILATERAL RELATIONS THERE ARE MANY ISSUES, SEVERAL OF WHICH I'VE ALREADY INDICATED. OTHERS MIGHT BE MENTIONED--HUMAN RIGHTS, AUTOMATICITY OF OUR DEFENSE COMMITMENT, AREAS OF DISPUTED SOVERIGNTY AND RESPONSIBILITY, THE SPRATLY ISLANDS AND REED BANK, WHERE AN AMERICAN COMPANY IS CURRENTLY DRILLING FOR OIL, MILITARY ASSISTANCE AND RENT FOR THE BASES, ISSUES OF THE THIRD WORLD, ETC. IT SEEMS TO ME THAT THESE ISSUES AND THE OTHER ISSUES THAT I HAVE INDICATED, ACTUAL AND POTENTIAL, IN PHILIPPINE-AMERICAN RELATIONS ARE MANAGEABLE. EXCEPT PERHAPS FOR HUMAN RIGHTS, WHICH COULD BE A BIG EXCEPTION. FOR EXAMPLE, THE IBRD EXECUTIVE BOARD CONSIDERATION OF AN \$18 MILLION LOAN TO THE PHILIPPINES HAS BEEN POSTPONED SINCE MAY 12 BECAUSE OF CERTAIN EGREGIOUS TORTURE ALLEGATIONS. THE LOAN PROBABLY WILL COME UP FOR CONSIDERATION AND VOTE TOMORROW, AND WE PROBABLY SHALL VOTE FOR IT WITH AN EXPLANATION OF OUR VOTE, BUT ONLY BECAUSE OF SOME RECENTLY ANNOUNCED PHILIPPINE PRELIMINARY CORRECTIVE MEASURES.

OTHERWISE I REALLY DON'T THINK THAT THERE ARE MAJOR ISSUES BETWEEN US THAT CANNOT BE MANAGED SATISFACTORILY BY REASONABLE PEOPLE ON BOTH SIDES. THE REAL PROBLEM AND THE REAL SOLUTIONS FOR THE PHILIPPINES AND THE PHILIPPINE ECOLOGY LIE, IT SEEMS TO ME, NOT SO MUCH BETWEEN THE UNITED STATES AND THE PHILIPPINES AS WITHIN THE PHILIPPINES. WITHIN THE PHILIPPINES ITSELF THE NECESSITY CLEARLY EXISTS TO COME TO GRIPS WITH SUCH QUESTIONS AS POPULATION, CONSERVATION OF RESOURCES, DISTRIBUTION OF INCOME, ENERGY POLICIES--FUNDAMENTAL ISSUES. WHETHER THE

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PHILIPPINES MANAGERS WILL DO THE NECESSARY AND PUSH THE ECONOMIC MIRACLE OF MANILA OUT INTO THE PROVINCES IN THE FORM OF MIDDLE LEVEL TECHNOLOGY, LABOR INTENSIVE FOR FARM BOYS, AND THEREBY REALIZE AN ALL-PHILIPPINE MIRACLE REMAINS TO BE SEEN.

THANK YOU.

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CHAIRMAN HAUGE: THE MINISTER HAS AGREED AFTER THIS,
I THINK, ABSOLUTELY SPLENDID ORIENTATION -- THANK YOU
SO MUCH, I'VE HEARD A LOT OF THESE AND NONE BETTER --
TO RESPOND TO QUESTIONS THAT ANY OF YOU MIGHT WANT TO
DIRECT TO HIM AND HE HAS BROUGHT ALONG SOME RESOURCES
IN THE FORM OF MR. MELLOR AND MR. LANGE IF HE CHOOSES
TO DRAW UPON THEM.

LEE STULL: I WONDER IF I MIGHT ASK, JOHN WOULD YOU
JUST STAND UP A MINUTE, JOHN MELLOR IS OUR ECONOMIC
COUNSELOR AT THE EMBASSY. AND HOWARD LANGE WORKS
WITH JOHN AND IS A VERY GOOD FINANCIAL ANALYST,
THANK GOODNESS. I'D BE HAPPY AS CHAIRMAN HAUGE
INDICATED TO TAKE QUESTIONS OR EVEN BETTER TO HAVE
THE BENEFIT OF COMMENTS. I REALIZE THAT MANY OF YOU
HAVE HAD A LONG ASSOCIATION WITH THE PHILIPPINES
AND ITS NOT A PLACE THAT YOU PASS THROUGH WITHOUT
HAVING STRONG IMPRESSIONS. I WOULD BE AS OR MORE
INTERESTED IN HEARING FROM YOU AS RESPONDING TO
WHATEVER YOU WOULD LIKE ME/US TO ADDRESS.

QUESTION: INAUDIBLE.

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LEE STULL: THOSE ARE EXCELLENT QUESTIONS. THERE ARE
CERTAIN LIMITATIONS ON ANSWERING BOTH, IN POINT OF
TIME, BUT LET ME TRY. THERE IS VERY LITTLE ORGANIZED
OPPOSITION. THE ORGANIZED OPPOSITION IS FOCUSED MOSTLY
IN A FAR-LEFT RADICAL MOIST/MARXIST ORGANIZATION WHICH
HAS A MILITARY ARM, THE NEW PEOPLE'S ARMY. IT IS NOT
A LARGE OPPOSITION BUT NONETHELESS BY ITS VERY CHARAC-
TER IT PROVIDES A PLE OF REFERENCE AND A POTENTIAL FOR

INCREASE, SHOULD CIRCUMSTANCES DETERIORATE IN THAT DIRECTION. THEY DO OPERATE MILITARILY IN SMALL UNITS. THEIR PARTICULAR EMPHASIS CURRENTLY IS ON THE ACQUISITION OF ARMS. THE GOVERNMENT HAS BEEN SUCCESSFUL IN PENETRATING THE ORGANIZATION AND ARRESTING MANY OF ITS HIGH COMMAND BUT PART OF ITS CHALLENGE TO THE GOVERNMENT IS THAT IT HAS A CAPACITY OF SELF-RENEWAL. I WOULDN'T CALL THE MUSLIM INSURRECTION OPPOSITION IN THE SAME SENSE. FIREST, THE MUSLIM SITUATION IS FOCUSED OR IS CONTAINED ON THE ISLAND OF MINDANAO AND ON THAT ISLAND IT ONLY ENCOMPASSES A THIRD OR LESS OF THE POPULATION. THE MAJORITY OF POPULATION ON THAT ISLAND, IN FACT, BEING CHRISTIAN. THE TOTAL OF MUSLIMS IS SOMEWHAT OVER TWO MILLION. SO IT IS IN THAT SENSE LOCALIZED AND CONTAINED. ALSO, FOR OVER FOUR HUNDRED YEARS BANDITRY AS WELL AS RESISTANCE TO ENCROACHMENT FROM THE OUTSIDE -- CULTURAL, ECONOMIC AND OTHER -- HAVE CHARACTERIZED THAT AREA. WE HAD A HARD TIME WHEN WE WERE IN CHARGE HERE WITH THOSE VERY GROUPS. WE RESOLVED THE PROBLEM IN EFFECT BY CAREFULLY CONCEDED RIGHTS TO THE MORO LEADERSHIP WITHIN THE AREA AND BY CAREFULLY RESPECTING THE CULTURAL PRACTICES OF THE MUSLIMS THEMSELVES. NOW THERE ALSO IS A CERTAIN ACTIVIST WING IN THE CHURCH AND AMONG SOCIAL WORKERS AND YOUNG PEOPLE WHICH IS NOT SO IDEOLOGICAL, AT LEAST IT IS OUR IMPRESSION THAT IT IS NOT SO IDEOLOGICAL, AS IT IS A QUESTION OF DISSENT AND AN ATTEMPT TO IMPROVE CONDITIONS OF PARTICULAR UNCLASSIFIED

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GROUPS. THEN, TOO, THERE ARE THOSE WHO WERE POLITICALLY ACTIVE BEFORE MARTIAL LAW. THEY CONTINUE TO PLAY AN OPPOSITION ROLE BUT NOT IN AN ORGANIZED FASHION. MAYBE TEN OR TWELVE FORMER SENATORS WILL COME TOGETHER AND PREPARE A PROCLAMATION OR SUCH UPON SOME MAJOR ISSUE, AND IT WILL BE CIRCULATED IN SOFT COPY, BUT THEY DO NOT HAVE AN ORGANIZATION NOR A NATIONAL FORUM. NOW THE QUESTION OF WHAT COMES AFTER PRESIDENT MARCOS. FIRST OF ALL HE'S A VERY HEALTHY MAN, GOOD WATER SKIER, JOGS, TAKES CARE OF HIMSELF, DOESN'T SMOKE OR DRINK LIKE SOME OF THE REST OF US. HE MAY OUTLIVE US ALL AND PROBABLY WILL, BUT WE ALL ARE MORTAL AND THEREFORE IT'S A PERFECTLY LEGITIMATE QUESTION AND I'M SURE IT'S ONE THAT HE THINKS ABOUT. HE HAS STATED THAT IN A SAFE SOMEWHERE IN THE PALACE OR MAYBE IN TWO SAFES, THERE IS A LIST OF NAMES OF PEOPLE AND THAT IN THE EVENT OF HIS DEMISE THIS MATTER WOULD BE EFFECTIVELY DEALT WITH BY THOSE WHO OPEN THE SAFE(S). I THINK THAT IT'S NOT ENTIRELY FACETIOUS TO LEAVE IT THERE IN THAT IT SUGGESTS THE UNCERTAINTY OF THE QUESTION.

IT IS AN ISSUE, AND I'M SURE IT'S ONE THAT HE WOULD LIKE
TO CLARIFY, BUT THERE ARE CERTAIN INHERENT LIMITATIONS
ON HIS CAPACITY TO DO SO AT THIS TIME.

QUESTION: INAUDIBLE.

LEE STULL: IN A MINUTE I'LL ASK JOHN OR HOWARD IF THEY
HAPPEN TO HAVE SPECIFIC STATISTICS ON THE UNEMPLOYMENT
SITUATION. MY OWN IMPRESSION IS THAT UNEMPLOYMENT HERE
IS MORE A FUNCTION OF UNDEREMPLOYMENT, THAT THERE IS A

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TREMENDOUS UNUSED LABOR CAPACITY WHICH IS A PART OF
THE REASON, EVEN IF A PERSON IS EMPLOYED, WHY THE
WAGE SCALE IS RELATIVELY LOW. WITH REGARD TO THE
QUESTION OF POPULATION ITSELF, THE GOVERNMENT OF THE
PHILIPPINES IS CONCERNED WITH POPULATION. THERE HAS BEEN
IN THE LAST COUPLE YEARS A RATHER SUBSTANTIAL FAMILY
PLANNING EFFORT IN THE PHILIPPINES, AN EFFORT IN
WHICH WE HAVE PARTICIPATED ACTIVELY. ALTHOUGH THERE
ARE CONCERNS IN A CATHOLIC COUNTRY (INTERRUPTION OF SPEAKER
SYSTEM) I THINK WE MAY HAVE GOTTEN A SIGNAL FROM UP THERE,
PERHAPS WE SHOULD DISCUSS SOMETHING ELSE (LAUGHTER). IT
IS REMARKABLE THE EXTENT TO WHICH THE GOVERNMENT HAS
CHOSEN ACTIVELY TO SUPPORT A FAMILY PLANNING EFFORT
IN THIS CATHOLIC COUNTRY, AND YOUR GOVERNMENT THROUGH ITS
AID PROGRAM IS ACTIVELY INVOLVED IN ASSISTING WITH AND
SUPPORTING THAT EFFORT. THE STATISTICS I GAVE YOU
ABOUT DOUBLING POPULATION BY THE END OF THE CENTURY ASSUME
THAT THE CURRENT AMBITIOUS FAMILY PLANNING, OBJECTIVES WILL

BE ACHIEVED, BECAUSE, OF COURSE, THE GROWTH OVER THE NEXT GENERATION IS ESSENTIALLY ALREADY BUILT INTO THE POPULATION. JOHN OR HOWARD, DO YOU HAVE ANYTHING YOU'D LIKE TO ADD TO THAT, PARTICULARLY ON THE EMPLOYMENT?

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JOHN MELLOR: THE OFFICIAL UNEMPLOYMENT STATISTICS IS FOUR PERCENT, BUT FOR ALL I KNOW MORE THAN THAT PARTICULARLY IN VIEW OF ITS BAD RESERVOIR OF UNDEREMPLOYMENT.

THE EMPLOYMENT OF 400,000 SUGAR WORKERS IS VERY MUCH AN UNCERTAIN THING. ON POPULATION, THE OFFICIAL STATISTICS OVER THE LAST FIVE YEARS IS THAT THE GROWTH RATE HAS BEEN BROUGHT DOWN TO 3.1 PERCENT TO 2.7 PERCENT. I DON'T KNOW WHETHER OR NOT TO BELIEVE IT BUT AS MINISTER STULL SAID, THE GROWTH OF THE NEXT GENERATION IS BUILT INTO THE DEMOGRAPHIC STRUCTURE. THE GOVERNMENT IS SEEKING TO BRING THE AVERAGE OF CHILDREN IN FAMILIES DOWN FROM SIX TO THREE. EVEN WITH THAT, WE'RE GOING TO HAVE 85 OR 90 MILLION PEOPLE IN THE PHILIPPINES BY THE YEAR 2000.

QUESTION: YOU SPOKE ABOUT THE STAGNATION OF U.S. INVESTMENT THERE OVER THE LAST TEN YEARS ... WHAT PART DO GOVERNMENT-OWNED ENTERPRISES PLAY AND ALSO WHAT PART HAS THE JAPANESE TRADE PLAYED?

LEE STULL: WOULD YOU CARE TO ADDRESS THAT HOWARD? ONE ASPECT IS THAT THE INVESTMENT FIGURES I GAVE WERE, OF COURSE, DIRECT PRIVATE INVESTMENT. ONE SHOULD LOOK ALSO AT THE INTERNATIONAL, INSTITUTIONAL INVESTMENT WHERE THE UNITED STATES CONTRIBUTION IS ALSO QUITE SUBSTANTIAL.

HOWARD LANGE: WELL MY FEELING IS THAT U.S. INVESTMENT IS NOT STAGNANT. AS TO THE BALANCE OF PAYMENTS, WE'RE STILL FIRST AMONG ALL INVESTORS. THE JAPANESE WERE VERY CLOSE BEHIND, AS MINISTER STULL INDICATED, IN 1974 AND 1975 THEIR INVESTMENT EXCEEDED U.S. INVESTMENT. AS TO THE ROLE OF GOVERNMENT CORPORATIONS, THAT I THINK IS A DEVELOPMENT WHICH IS OCCURRING RIGHT NOW AND IS SOMETHING THAT UP TO HIS POINT HAS NOT BEEN AN IMPORTANT FACTOR BUT SUCH CORPORATIONS ARE RATHER A RECENT DEVELOPMENT AND

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MR. VELASCO IS AMBITIOUS. WE ALSO HAVE THE PHENOMENON

HERE OF QUASI-GOVERNMENT ORGANIZATIONS, A NUMBER OF GOVERNMENT OFFICIALS HOLD POSITIONS ON BOARDS OF CORPORATIONS.

LEE STULL: HOWARD, EVEN WITH THE INCREASE LAST YEAR, \$57 MILLION IS NOT ALL THAT MUCH FOR THE UNITED STATES RELATIVE TO OUR HISTORY AND WHAT WE ALREADY HAVE HERE, AND RELATIVE TO OUR INVESTMENTS IN OTHER COUNTRIES IN THE AREA?

HOWARD LANGE: I THINK THAT'S TRUE, STAGNATION PERHAPS IN COMPARISON WITH OTHER COUNTRIES IN THIS PART OF THE WORLD, I THINK IT HAS BEEN SLOW.

CHAIRMAN HAUGE: ARE WE LOSING GROUND WITH THE JAPANESE?

HOWARD WNGE: INAUDIBLE.

LEE STULL: WE ARE INTERESTED IN THIS QUESTION OF INVESTMENT, AS I INDICATED, IN ANY NEGOTIATIONS, PRIVATE INVESTMENT. IT'S QUITE POSSIBLE THAT WE WILL MEET IN A RATHER MODEST BUT GENERALLY POSITIVE DEVELOPMENT WITH THE ASEAN ORGANIZATION, THE SOUTHEAST ASIAN GROUPING OF COUNTRIES, HOPEFULLY IN THE RELATIVELY NEAR FUTURE. ON OUR SIDE, ONE OF OUR MAJOR INTERESTS IN THESE NEGOTIATIONS, ALTHOUGH OUR EXPECTATIONS ARE NOT GREAT, IS TO POINT OUT THE IMPORANT ROLE THAT PRIVATE INVESTMENT

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COULD PLAY, THE EVEN MORE IMPORTANT ROLE PRIVATE INVESTMENT
COULD PLAY AMONG THESE COUNTRIES IF THE CONDITIONS FOR IT

WERE SUCH THAT IT WERE ATTRACTED TO THE AREA IN LARGER QUANTITIES. GRANTED THE OTHER SIDE MAY BE MOST INTERESTED IN ECONOMIC ASSISTANCE, BUT WE KNOW WHAT OUR PRIORITIES ARE.

QUESTION: I UNDERSTAND THAT THERE IS A MOVEMENT OF INVESTORS INTO THE PHILIPPINES BECAUSE OF THE LABOR RATES AND THE AVAILABILITY OF LABOR. COULD YOU COMMENT ON THAT, PARTICULARLY JAPANESE INVESTMENT?

LEE STULL: WELL THERE IS LOGIC IN IT. IT INTERESTS ME, AND I HANDN'T REALLY FOCUSED ON THAT AS A MAJOR FACTOR WHICH IT MIGHT WELL PROVE TO BE OVER THE NEXT DECADE AND WHICH MIGHT HELP PUSH THE PHILIPPINES INTO A SUSTAINED HIGH LEVEL ECONOMIC GROWTH. I DON'T KNOW, THOUGH, ABOUT THE SPECIFIC RECENT EXPERIENCE, JOHN, DO YOU?

JOHN MELLOR: INAUDIBLE.

LEE STULL: I MUST SAY THAT MY MAJOR PREOCCUPATION WITH THIS QUESTION IS TRYING TO FIGHT OFF THE UNITED STATES
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GOVERNMENT AGENCIES THAT WOULD LOVE TO SETTLE THEIR REGIONAL OFFICES IN MANILA. WE ALREADY HAVE TWENTY THREE UNITED STATES GOVERNMENT AGENCIES REPRESENTED IN THIS EMBASSY, WHICH IS TOO MANY. AND MANILA IS THE LARGEST AMERICAN DIPLOMATIC ESTABLISHMENT IN THE WORLD, WHICH IS TOO LARGE; SO THAT IT IS AN ENDLESS FIGHT. ON THE LARGER QUESTION, I THINK YOU'VE GOT SOMETHING THAT WE SHOULD LOOK AT MORE CAREFULLY AS A MAJOR POTENTIAL FACTOR OVER THE NEXT TEN YEARS.

QUESTION: INAUDIBLE.

LEE STULL: IT REALLY IS A FUNCTION OF ECONOMIC GROWTH, ISN'T IT, AND OF DEVELOPMENT GENERATING THE RESOURCES TO MAKE IT POSSIBLE TO GIVE A FAIR RETURN TO LABOR AND TO INCREASE WELFARE PROGRAMS. I THINK THIS IS A BASIC FRAGILITY IN THE SOCIAL SYSTEM. I CAN APPRECIATE IF IT IS A CONSCIOUS POLICY IN TERMS OF IMPETUS TO DEVELOPMENT TO HAVE A RELATIVELY CHEAP LABOR FACTOR FOR THE SHORT RUN. THAT COULD BE A PAINFUL CHOICE BUT A REATIONAL ONE, BIT IF IT IS SIMPLY OVERSIGHT OR UNWILLINGNESS TO SHARE, AND SOME OF THESE ELEMENTS MAY BE AT WORK, THEN I THINK IT'S A SERIOUS CAUSE FOR THEIR CONCERN.

QUESTION: INAUDIBLE.

LEE STULL: LET'S PUT IT THIS WAY, I THINK PRESIDENT

MARCOS DESERVES CREDIT FOR HAVING IMPLEMENTED THE MOST
MEANINGFUL LAND REFORM PROGRAM THAT HAS EVER BEEN ATTEMPTED
IN THE PHILIPPINES. IT HAS ITS LIMITATIONS IN THAT IT DOES
NOT APPLY TO PLANTATION AREAS, DOESN'T APPLY TO SUGAR OR
PINEAPPLE OR BANANA PLANTATIONS, IT APPLIES TO RICE LANDS,
AND IT'S A QUESTION OF ROUGHLY SEVEN HECTARE UNITS. OUR
IMPRESSION IS THAT ON THE WHOLE IT HAS BEEN SIGNIFICANT;
IT HAS BEEN REASONABLY WELL IMPLEMENTED, SOMEWHAT LEISURELY BUT
THERE MAY BE MERIT IN THAT. IN SUM, THEY HAVE A REAL LAND
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REFORM PROGRAM OF SIGNIFICANT DIMENSIONS AND I THINK THE
PRESIDENT DESERVES CREDIT FOR IT.

QUESTION: INAUDIBLE.

LEE STULL: THERE ARE PROGRAMS, I DON'T KNOW HOW SYSTEMATIC
THEY ARE, BUT I'M ALMOST CERTAIN THEY ARE INADEQUATE. THIS
QUESTION, PARTICULARLY IN UNDERDEVELOPED COUNTRIES AND
PARTICULARLY WHERE YOU HAVE A MAJOR INVESTMENT IN ONE URBAN
CENTER WHERE THE ACTION IS OR THE JOBS ARE, WHERE THE
AMENITIES ARE AND SO FORTH AS I INDICATED EARLIER, AND NO
REALLY SATISFACTORY MEANS OF CONTROLLING ACCESS, YOU ARE GOING
TO GET THIS UNDEREMPLOYMENT IN THE COUNTRYSIDE, YOU ARE GOING
TO GET THIS CONDITION, AND THEY HAVE IT IN SPADES. TO MY KNOW-
LEDGE THEY DO NOT HAVE A PROGRAM ADEQUATE TO THE PROBLEM,
BUT THEY ARE AWARE OF THE PROBLEM.

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HOWARD LANGE: I'D LIKE TO MENTION THE WORLD BANK PROGRAM OF URBAN HOUSING (INAUDIBLE). FIRST THERE IS A THEORETICAL QUESTION OF WHETHER YOU WANT TO DO IT. SECOND, NO MATTER WHAT YOU DO IT IS BOUND TO BECOME POLITICAL AND CONTROVERSIAL. (INAUDIBLE)

LEE STULL: EVERYTIME MR. MCNAMARA COMES TO TOWN HE DRAWS A DEMONSTRATION ON THIS SUBJECT.

QUESTION: HOW IS THE INTERNATIONAL RICE INSTITUTE AT LOS BANOS DOING?

LEE STULL: THAT IS A WONDERFUL PLACE, THAT INSTITUTION, THEY HAVE GONE ON SINCE YOU WERE THERE AND DEVELOPED AN INTERNATIONAL SET OF RELATIONSHIPS AND A CONTINUING ACTIVE RESEARCH PROGRAM THAT IS REALLY SOMETHING TO ADMIRE AND VERY GRATIFYING -- A DEMONSTRATION OF THE APPLICATION OF TECHNOLOGY TO BETTER HUMAN CONDITIONS. THEY'VE SUCCEEDED BY THEIR OWN CRITERIA, AND SINCE THEN THEY'VE RAISED THEIR CRITERIA, THEIR STANDARDS, TO GO ON AND DO BETTER THINGS. THEY'VE SUCCEEDED IN PROVIDING THE TECHNOLOGY NECESSARY FOR COUNTRIES LIKE THIS TO BE SELF-SUFFICIENT IN AGRICULTURE AND IN FACT LAST YEAR THERE WAS A SMALL RICE SURPLUS. SURPRISINGLY UNCLASSIFIED

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ENOUGH, THE PHILIPPINES FOR MANY MANY YEARS HAS BEEN A NET RICE IMPORTER, INCLUDING EVEN FROM US I BELIEVE ON CERTAIN OCCASIONS. IN TERMS OF EXPORTING, ONE OF THE LIMITATIONS, ONE OF THE UNDERDEVELOPED ASPECTS OF THE PHILIPPINE ECONOMY IS MARKETING, AND A CURRENT USAID PROGRAM IN RELATIONSHIP WITH THE KANSAS STATE UNIVERSITY IS TO HELP THEM DEVELOP THE EDUCATIONAL CAPACITY TO UPGRADE THEIR MARKETING, THEIR PROFESSIONAL MARKETING SKILLS. YOU COULDN'T EXPORT PHILIPPINE RICE, BECAUSE IT IS SO POORLY MILLED AND SO BROKEN AND CRACKED, IT'S FINE TO EAT, BUT IT DOESN'T COMPETE IN INTERNATIONAL MARKETS. IT MAY WELL BE THAT THE PRESENCE OF A SURPLUS AND THE POTENTIAL OF AN EXPORT OF RICE WILL HAVE THE BENEFICIAL EFFECT OF FORCING HIGHER STANDARDS ON THE HANDLING OF RICE WITH A BENEFIT TO THE INTERNAL CONSUMER AS WELL AS THE CREATION OF A RICE PRODUCT AT A LEVEL THAT IS COMPETITIVE IN THE INTERNATIONAL MARKET. YOU CAN SEE THEN THAT IT IS MORE THAN A QUESTION OF SIMPLY THE PRODUCTION OF MORE RICE. THAT THEY ALREADY CAN DO. THEY NOW ARE FOCUSING ON UPGRADING THE QUALITY AND THE HANDLING OF THE MILLING AND SO FORTH OF THAT RICE AND DEVELOPING A POSSIBLE INTERNATIONAL EXPORT RICE MARKET.

CHAIRMAN HAUGE: JUST ONE MORE PLEASE.

LEE STULL: YES, I HAVE JUST GOING TO SAY, I COULD NEVER
RESIST....THE LADY IN THE REAR PLEASE.

QUESTION: INAUDIBLE.

LEE STULL: THE POSITION OF THE PHILIPPINES IS THAT THERE
IS NO CENSORSHIP AS SUCH. YOU MIGHT SAY THERE IS A POST-
EDITION REVIEW, AND IN FACT ALL THE NEWSPAPERS ARE OWNED
BY PEOPLE WHO ARE UNLIKELY TO MISUSE THEIR PEROGATIVES.
THE TERM USED IS GUIDED PRESS, AND IT APPLIES EQUALLY
TO THE TELEVISION MEDIA AND THERE'S NO PARTICULAR ATTEMPT
TO MAINTAIN THAT THIS IS WHAT WE CALL A FREE PRESS.
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RATHER, THE POSITION INCREASINGLY IN THE PHILIPPINES
IS THAT THE WESTERN PRESS IS INADEQUATE TO UNDERSTAND
AND FAIRLY TREAT THE SITUATION IN DEVELOPING COUNTRIES,
INCLUDING THE PHIPPINES. IT IS THEREFORE NECESSARY
FOR THERE TO BE A NEW AND COOPERATIVE UNDERDEVELOPED
WORLD APPROACH TO PRESENTING THEIR NEWS AND THEIR FACTS
TO THE WORLD.

CHAIRMAN HAUGE: THANK YOU VERY MUCH MR. MINISTER AND
YOUR COLLEAGUES MR. MELLOR AND MR. LANGE. I'M SURE WE
COULD HAVE STAYED HERE A GOOD BIT LONGER VERY PROFITABLY
TO ALL OF US BUT THE MEMBERS OF THE BOARD AND THE
PARTICIPANTS IN THE MORNING'S SESSION NOW HAVE TO MAKE
A LONG AND DANGEROUS JOURNEY ACROSS THE STREET TO THE
CONVENTION CENTER TO ROOM D304. YES, YOU WILL HAVE HELP
IN FINDING IT. YOU'LL NEED IT, AS I DID THE OTHER DAY,
BUT MR. COPELAND HAS ORGANIZED SOME SPLENDID PREMISES
FOR US OVER THERE, AND WE WILL REPAIR THERE NOW. BUT AGAIN,
MANY MANY THANKS TO YOU AND YOUR COLLEAGUES AND THANK
YOU BETSY FOR COMING ALONG. WE HOPE TO SEE YOU TONIGHT.

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Message Attributes

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Status: NATIVE
Subject: CONCERNING THE ECONOMIC ECOLOGY OF THE PHILIPPINES THERE FOLLOWS THE TRANSCRIPTION OF A BRIEFING BY THE CHARGE AT THE ANNUAL MEETING OF THE BOARD OF DIRECTORS OF
TAGS: ECON, EINV, ETRD, US, RP, MANUFACTURERS HANOVER TRUST CO
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